

Message Text

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ACTION EUR-12

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TAGS: ETRD, EEC
SUBJ: COMMISSIONER CHEYSSON'S VIEWS ON TRADE POLICY
AND THE GSP

REF: BRUSSELS 6752

1. SUMMARY: IN BRIEFING CONDUCTED FOR US CODEL JULY 8
COMMISSIONER CHEYSSON REITERATED THE VIEW REPORTED
REFTEL CONCERNING THE DESIRABILITY OF A MORE SELECTIVE,
CONDITIONAL APPROACH TOWARD TRADE LIBERALIZATION REGARD-
ING THE DEVELOPING COUNTRIES. CHEYSSON'S PARTICULAR
FOCUS WAS ON THE VALIDITY OF THE CURRENT GSP. HE CON-
TRASTED THE US GSP, WHICH HE DECLARED WAS SELECTIVE IN
COVERAGE AND APPLICATION, WITH THAT OF THE COMMUNITY
WHICH DOES NOT DISCRIMINATE AMONG COUNTRIES AT DIFFERENT
STAGES OF DEVELOPMENT AND AMONG INDUSTRIES, DEPENDING
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ON WHETHER OR NOT THE LATTER CONTRIBUTED TO ECONOMIC
DEVELOPMENT IN THE THIRD WORLD. STRESSING THAT THESE
IDEAS WERE PURELY PERSONAL, AND DID NOT REFLECT THE VIEW
OF THE COMMISSION AS SUCH, CHEYSSON COMMENTED THAT A
LESS "SIMPLISTIC" AND MORE SOPHISTICATED APPROACH TO
TRADE LIBERALIZATION WITH THE LDC'S WOULD BE REQUIRED
IN THE FUTURE -- GIVEN THE CURRENT ECONOMIC SITUATION

IN THE EC MEMBER STATES. END SUMMARY.

2. COMMISSIONER CHEYSSON SAID HIS DISAFFECTION WITH THE PRESENT COMMUNITY GSP WAS BASED ON HIS CONVICTION THAT THE ORIGINAL PURPOSE OF GRANTING DUTY-FREE TREATMENT TO CERTAIN LDC EXPORT PRODUCTS, I.E. FOSTERING DEVELOPMENT AND ECONOMIC INDEPENDENCE, WAS BEING ERODED. IN HIS VIEW, THIS WAS OCCURRING IN TWO WAYS: (1) SOME COMPANIES INVEST IN THE DEVELOPING COUNTRIES MERELY TO EXPLOIT RELATIVELY CHEAP FACTORS OF PRODUCTION, BUT WITH NO WIDER GOAL IN MIND; AND (2) CERTAIN GSP BENEFICIARY COUNTRIES PRESENTLY EITHER HAVE ABOVE-AVERAGE LIVING STANDARDS OR SERVE ONLY AS "PROCESSING" CENTERS BY VIRTUE OF THE LIMITED SCOPE OF THEIR INTERNAL MARKETS. AS AN EXAMPLE OF COMPANIES OPERATING AS "ENCLAVES", WITHOUT FITTING INTO A BROADER DEVELOPMENT PLAN, THE COMMISSIONER CITED THE CASE OF TEXTILES IN SOUTH KOREA. THE COMMUNITY HAS EXPERIENCED A 40-50 INCREASE IN IMPORTS OF KOREAN TEXTILES IN A SINGLE YEAR, AND CHEYSSON DOUBTED WHETHER COMPANIES INVOLVED IN THIS TRADE DO MUCH LONG-RUN GOOD FOR THE LOCAL ECONOMY (OR ENOUGH TO JUSTIFY THE RESULTING DISRUPTION OF ENTERPRISES IN THE MEMBER STATES OF THE COMMUNITY). ACCORDING TO THE COMMISSIONER, ANOTHER EXAMPLE OF DIVERGENCE FROM THE ORIGINAL PURPOSES OF GSP LIES IN THE FOLLOWING SITUATION: 4 BILLION DOLLARS OF PRODUCTS ARE CURRENTLY ADMITTED DUTY FREE INTO THE COMMUNITY, BUT ONLY FIVE EXPORTING COUNTRIES ACCOUNT FOR 50 OF THIS AND LIMITED OFFICIAL USE

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TEN COUNTRIES ACCOUNT FOR 75 OF THE TOTAL. CHEYSSON DJRIED THE FACT THAT AMONG THE LATTER GROUP ARE SUCH RELATIVELY ADVANCED LDC'S AS SINGAPORE AND HONG KONG, SINCE IT IS THE LEAST DEVELOPED THAT DESERVE THE MOST HELP UNDER THE GSP.

3. IN CONCLUSION, CHEYSSON REPEATED HIS PRIVATE OPINION THAT TRADE LIBERALIZATION REMAINED THE COMMUNITY'S ULTIMATE OBJECTIVE, ALBEIT ON A LESS "SIMPLISTIC" LEVEL. PROTECTIONISM WAS TO BE AVOIDED, BUT GIVEN THE REALITIES OF EC TRADE WITH THE THIRD WORLD, INCLUDING GSP, CERTAIN MEASURES TO "RATIONALIZE" THE CURRENT SITUATION APPEARED TO HIM INCREASINGLY DESIRABLE. THE GUIDING PRINCIPLES, IN HIS VIEW, SHOULD BE THAT INVASION OF EC MARKETS BY COMPANIES IN THE LDC'S SHOULD NEITHER BE TOO ABRUPT NOR TOO DISRUPTIVE, AND THAT EC ASSISTANCE TO THE THIRD WORLD SHOULD BE GRANTED ONLY IF IT LEADS TO ENHANCED ECONOMIC DEVELOPMENT.

4. IT SHOULD BE NOTED THAT COMMISSIONER CHEYSSON'S REMARKS ON GSP WERE MADE ONLY IN CONTEXT OF RELATIONS BETWEEN INDUSTRIALIZED AND DEVELOPING COUNTRIES. THERE

WAS NO MENTION OF THE MTN, OR POSSIBLE IMPLICATIONS OF HIS IDEAS FOR THE MTN. AS PART OF HIS CONCERN FOR DC-LDC RELATIONS THE COMMISSIONER ALSO TOUCHED UPON PREPARATIONS FOR THE RENEGOTIATION OF THE LOME CONVENTION. HE STATED THAT A COMMUNITY GOAL FOR LOME II WAS TO PRODUCE AN AGREEMENT WITH GREATER RECIPROCITY, INCLUDING FOR EXAMPLE, GUARANTEES PROTECTING PRIVATE INVESTMENT IN THE ACP COUNTRIES. HE SPECIFICALLY RULED OUT, HOWEVER, ANY REVERSION TO REVERSE TRADE PREFERENCES. HINTON

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